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UNITED NATIONS OFFICE FOR PROJECT SERVICES

Organizational changes in the United Nations Office for Project Services

Report of the Executive Director

I. INTRODUCTION

1. The present report describes and explains the rationale behind the special transitional measures that the United Nations Office for Project Services (UNOPS) initiated in 1995 to adapt itself to the requirements of its new institutional status. These measures were a direct response to Executive Board interest in the future direction of UNOPS, as expressed in paragraph 9 of Executive Board decision 95/31, and the concern of UNOPS about how best to remain a viable and effective instrument responsive to the needs of its clients.

2. The annual report of the Executive Director, as requested in paragraph 9 of Executive Board decision 94/32, will be submitted to the Board at its third regular session, thus allowing time for the financial and statistical analysis essential for meaningful review both of 1995 performance and of the related budget proposals.

II. BACKGROUND

3. UNOPS was established on 1 January 1995 against a background of, and, in part, as a response to, widespread calls for reform of the United Nations system: reforms expected to reduce duplication of function; improve efficiency and effectiveness; respond better and more rapidly to changing needs; produce leaner administrative budgets; and establish more businesslike approaches to both cost and quality of service.

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4. UNOPS was in a relatively sound position from which to respond to these expectations. With roots in UNDP, UNOPS had an inherited tradition on which to build; yet, as an organization in transition, it also had a unique opportunity to make more extensive adjustments than it may have made otherwise. Most importantly, UNOPS was, and has remained, a fully self-financing and extrabudgetary operation. It was therefore accustomed to the pressures of keeping its expenses within the limits of income earned from the provision of services, and of satisfying the needs of a clientele that may choose from among a number of alternatives.

5. On the other hand, the lengthy discussions on the future of UNOPS had diverted attention from strengthening those characteristics that had helped create a market for its services: quickness, flexibility, and cost-effectiveness. Surveys and interviews conducted in late 1994 and early 1995 with almost 50 UNDP country offices that are regular users of its services confirmed the existence of and helped the more precise targeting of specific sources of concern and dissatisfaction. On the positive side, the exercise provided indications that prompt and effective corrective action could help to restore trust and confidence in UNOPS.

III. BUSINESS PLANNING

6. The cornerstone of UNOPS efforts to solidify its financial viability and improve its performance was the 1995 Business Plan, developed during the first months of 1995. The Business Plan was itself the logical conclusion of a strategic planning exercise conducted in 1994, during which all staff were involved in a strength/weakness/opportunity/threat (SWOT) analysis. The Business Plan was submitted to the Management Coordination Committee (MCC) at its meeting on 11 April 1995. The three principal priorities of the Business Plan were to: (a) improve quality of service; (b) build and enhance relationships with the client community; and (c) complete the transition to UNOPS.

7. In its comments on the 1995 Business Plan, the MCC recommended, inter alia, that the UNOPS internal structure be reviewed to make it more innovative and cost-effective. This recommendation, which coincided with the assessment of UNOPS itself of those activities that would have the most fundamental and long-term impact on its ability to react to a changing business environment, provided an impetus for the intensive reorganization effort that followed.

8. Twenty-six UNOPS managers established a consensus in June 1995 on the objectives and principles according to which the reorganization would be planned and operationalized.

IV. REORGANIZATION OBJECTIVES AND APPROACH

9. The UNOPS reorganization strategy is intended to result in improvements in three important areas:

(a) Responsiveness: improved timeliness, flexibility, and creativity in adapting to new and changing needs;

(b) Quality: effectiveness, transparency, and professionalism of services rendered;

(c) Value: providing value for money and an ongoing commitment to reducing the cost of service delivery.

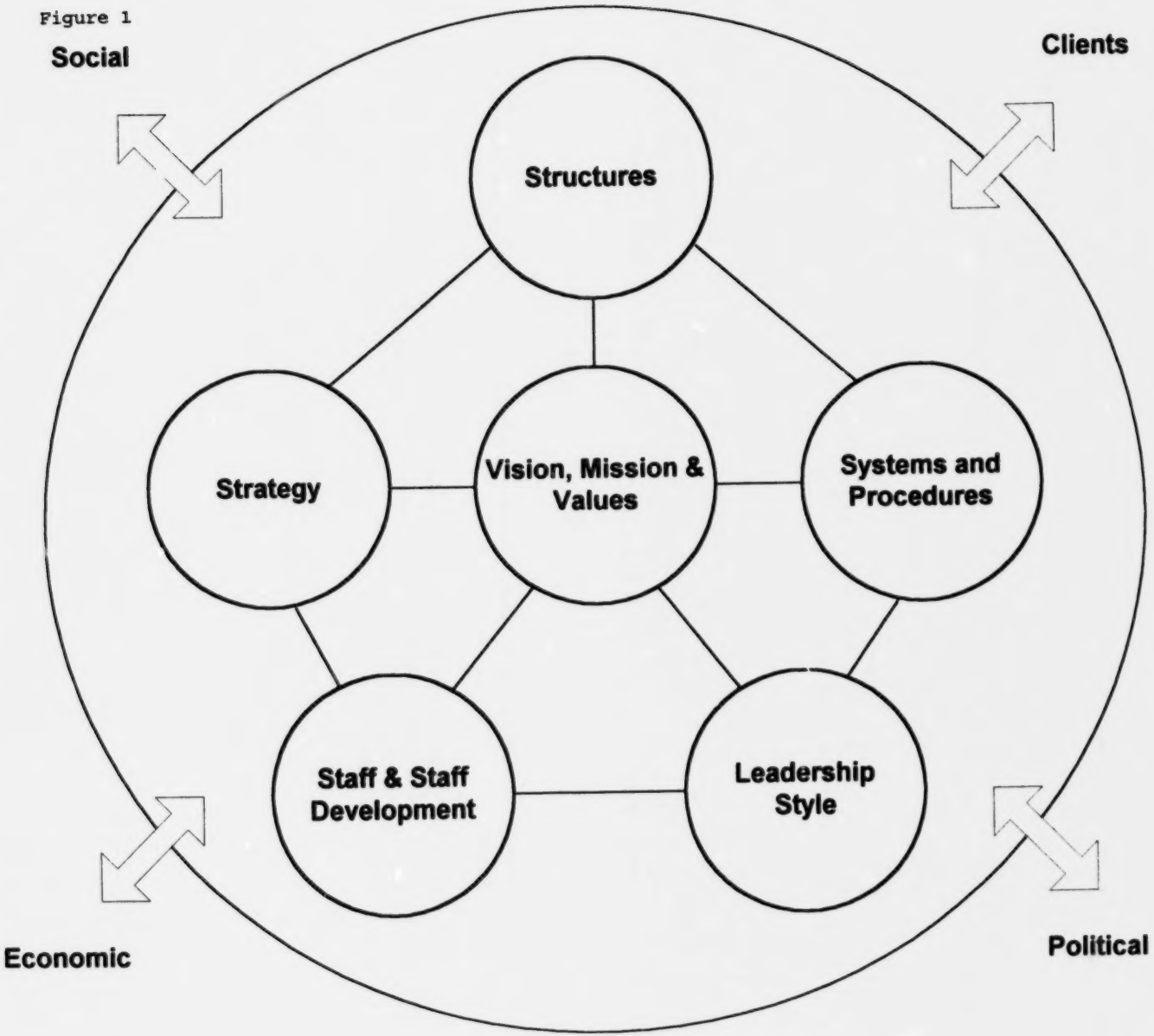
10. The process through which change is accomplished is a crucial factor in determining whether the intended purposes of the change are achieved. The conviction of UNOPS is that staff commitment to a reorganization effort will be greater if there is opportunity for active participation in the change process. Consequently, UNOPS has based its approach on intensive staff involvement in all phases of reorganization, from deliberation and design to implementation. Important elements of this approach have been:

(a) Establishment of an initial consensus on objectives and basic principles;

(b) Primary reliance on internal resources, rather than on external consultants; and

(c) Emphasis on reorganization - a comprehensive rethinking of how work is accomplished - rather than a one-dimensional focus on restructuring. The overall framework of the UNOPS approach is illustrated in figure 1, and discussed in greater detail in chapter VI below.

Figure 1


Social
Clients
Structures
Strategy
Vision, Mission & Values
Systems and Procedures
Staff & Staff Development
Leadership Style
Economic
Political

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11. To ensure that the linkages between the purposes and the processes of change were maintained, UNOPS managers created a six-person working group, including representatives of the Staff-Management Forum and of each major type of organizational unit. The group's mandate was to develop operational plans and timetables for the transition that adhered to the consensus, and to provide a mechanism of transparency and communication with staff at large.

V. INTEGRATED TEAMS

12. The single most important concept underlying the UNOPS reorganization is that of integrated teams. Prior to the reorganization, UNOPS relied on a separation of functions between operations divisions, the primary liaison with clients, and service sections, which provide support services (contracting, project personnel recruitment, purchasing, training, fellowships) directly to clients and/or to operations division staff. It was agreed that this approach had contributed to a diffused, sometimes divided, sense of responsibility towards the client, and to longer and more complex lines of communication than necessary.

13. It is the integration of both operations and service functions around the needs of the client that distinguishes integrated teams from the previous functionally separated division of labour. The objective of this organizational model is to place appropriately skilled staff in self-contained teams that focus on the needs of specific clients and portfolios. These teams will have the human resources and authority to deliver all services required in a portfolio, exclusive of those actions that may involve highly specialized functions or staff that cannot be replicated in each team. Under single, integrated management, these teams are expected to accelerate service delivery and to contain cost by simplifying and streamlining work processes, while at the same time providing a sharper focus and accountability vis-à-vis UNOPS clients. Effective check-and-balance mechanisms are retained through the establishment of normative functions that set performance standards, backstop and monitor integrated teams, and provide training support.

14. On the basis of this principle, three types of integrated operations teams have been identified: (a) regionally based; (b) thematic; and (c) implementation modality. On 2 October 1995, after several months of careful analysis of the portfolio, new operations units - the foundation for the integrated teams - were formed. These are:

Regional:	Africa Division
	Latin America and the Caribbean Division
	Western Asia, Arab States, and Europe Division
	UNOPS Asia Office (including Asian International Fund for Agricultural Development (IFAD) projects)
Thematic:	Environmental Programmes Division
	IFAD Division
	Rehabilitation and Social Sustainability Unit

Implementation modality:	Procurement Projects Division Fellowships and Training Section

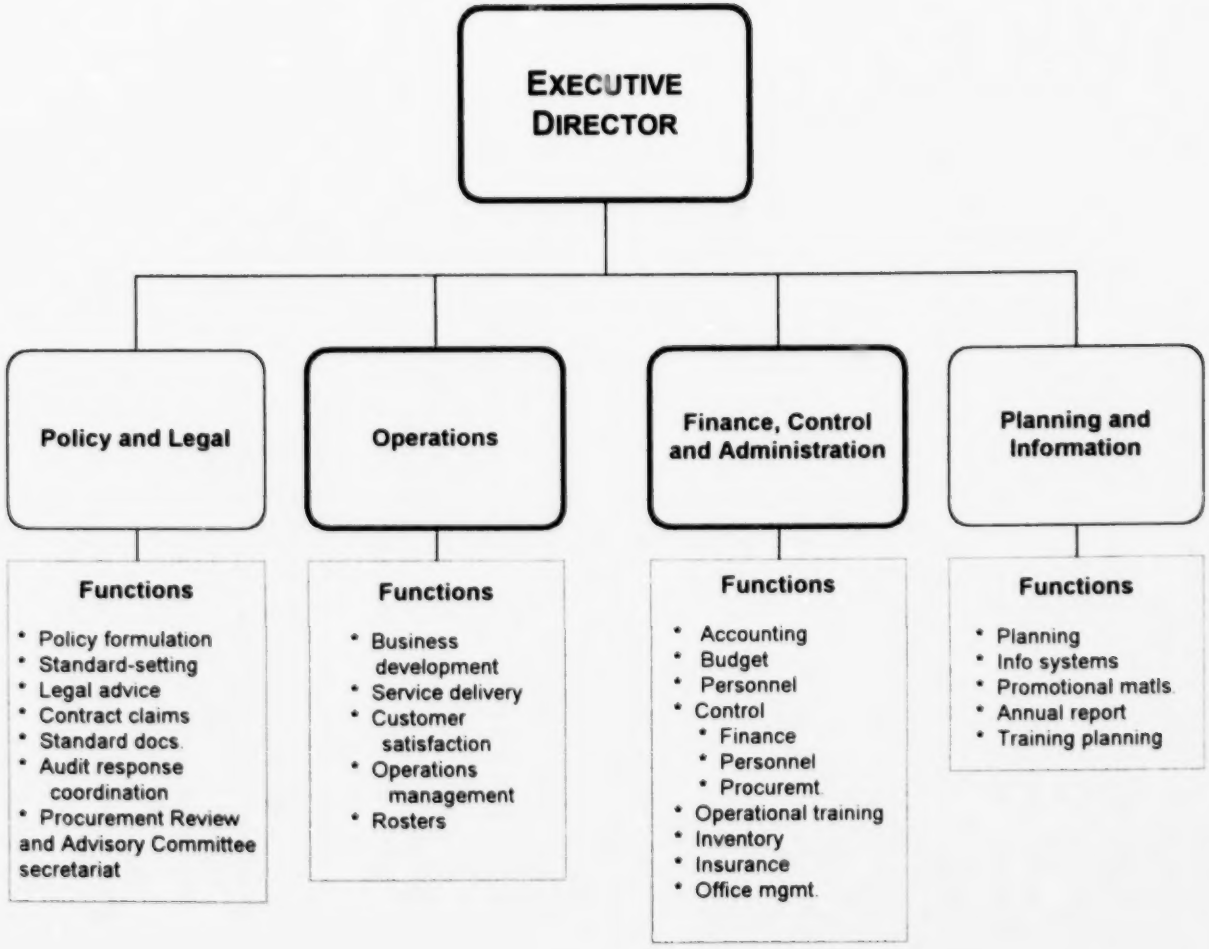
15. On a pilot basis, the operational parts of Purchasing, Project Personnel, and Payments functions were integrated into two divisions. The integration of these functions is continuing apace as the requisite staff capacity is identified and/or developed, using in-house training.

VI. GUIDANCE, SUPPORT, AND CONTROL FUNCTIONS

16. While reassignment of staff capacity and delegation of authority to integrated operational teams is expected to yield direct benefits in terms of improved service to clients, higher productivity, and lower relative cost, it is a strategy that also poses challenges and entails some risk. Among the most significant of these are the maintenance of adequate controls and the achievement of quality standards across units. Several related actions are being taken to address these issues.

17. Based on a detailed analysis of which functions either could not be integrated for practical reasons or which needed to be maintained separately for check-and-balance purposes, a significant adjustment to the non-operational structure of UNOPS has been initiated. Collectively, the new units in this structure are intended to provide guidance and support for the integrated teams and to strengthen the intra-UNOPS oversight and control capacity required by these organizational arrangements. These units and their functions are presented in figure 2.

Figure 2


EXECUTIVE DIRECTOR
Policy and Legal
Operations
Finance, Control and Administration
Planning and Information
Functions
• Policy formulation
• Standard-setting
• Legal advice
• Contract claims
• Standard docs.
• Audit response coordination
• Procurement Review and Advisory Committee secretariat
Functions
• Business development
• Service delivery
• Customer satisfaction
• Operations management
• Rosters
Functions
• Accounting
• Budget
• Personnel
• Control
• Finance
• Personnel
• Procuremt.
• Operational training
• Inventory
• Insurance
• Office mgmt.
Functions
• Planning
• Info systems
• Promotional matls.
• Annual report
• Training planning

18. In addition to the structural changes of the organization, it was recognized that special emphasis needed to be placed on the other dimensions essential to the reorganization process, i.e., those illustrated in figure 1. In order to address these dimensions effectively, four joint staff-management working groups were established.

19. The Working Group on Strategy and Leadership Style has launched an information-gathering exercise using focus groups, the purpose of which is to identify problems and opportunities that will have an effect on the success of the reorganization process. Specific issues being investigated through this exercise include intra-UNOPS communications; planning, management and supervision in integrated teams; delegation of authority; staffing issues related to team formation and interaction; and training. The results of this exercise will be used to set priorities for follow-up action in these areas and will feed information to the Working Group on Staff and Staff Development Issues.

20. The Working Group on Staff and Staff Development issues will make recommendations on all human resources policy issues directly related to the process of transition and reform. Topics this group is considering include job design, training needs, performance evaluation, and contractual policy (see chap. VIII).

21. The Working Group on Systems and Procedures helped to determine the changes necessary for the implementation of the first two pilot integration initiatives. Further action in this regard will be taken by the newly constituted non-operational units responsible for guidance, support, and control.

22. The Working Group on Vision, Mission and Values has focused on these important topics, which help to ensure that the diverse activities and objectives of different parts of the organization are synchronized with the principles and purposes that are common to all of UNOPS. This group has developed a first version of a statement addressing these issues.

23. Finally, and in relation to the overall vision, mission, and values of UNOPS, it is clear that no amount of internal reorganization will be successful in maintaining UNOPS viability and improving its effectiveness if these changes are not translated directly into improvements in the quality and value of UNOPS services. In this regard, UNOPS has established contact with organizations specializing in International Organization for Standardization (ISO) 9000 standards certification. These standards will be used to shape the systems and process improvements that are the objective of the reorganization effort. A decision on whether to pursue formal certification in the appropriate ISO 9000 standards will be taken as further details emerge and as the costs of such certification are considered.

VII. CLIENT RELATIONSHIPS

24. The change in UNOPS relationship with UNDP, coupled with the additional expectations associated with the overall reform of the United Nations system (see para. 3 above), elevated client concerns to a new level. While UNDP

remains UNOPS principal client, even this relationship requires a more conscientious service-orientation on the part of UNOPS than was the case when OPS was simply a unit within the larger parent organization. To this is added the necessity of diversifying and strengthening relationships with other organizations UNOPS serves.

25. This positive pressure requires a more proactive and structured approach to client relationships on the part of UNOPS. This was recognized and included as one of the priorities in the UNOPS 1995 Business Plan.

26. While there were some delays due to resource constraints and staff movements in 1995, in early 1996 UNOPS assigned a staff member as Business Development Coordinator. The emphasis in the initial phases of the Coordinator's work will be on the development of a systematic approach to client relationships, which can then be implemented by the staff of the integrated operations units, supported by the Planning and Information Division.

27. The priority tasks of the Coordinator, scheduled for completion by June 1996, are: (a) identification of key countries and country offices for the concentration of business development efforts; (b) development of a follow-up communications plan; (c) development of a management information database on potential business opportunities; (d) definition of appropriate client management practices and development of appropriate tools; and (e) analysis of the business environment, including identification of potential partners in service delivery.

28. In addition, UNOPS is exploring measures that will enable it to obtain client feedback on UNOPS performance on a regular basis and, if necessary, to ensure that problems or complaints of an exceptional nature are promptly and satisfactorily resolved.

VIII. HUMAN RESOURCES ISSUES

29. The new organizational arrangements raise some unique human resources issues for UNOPS: the self-financing nature of the organization requires that the staffing plan be synchronized with the volume and type of services provided, both of which are subject to change from year to year. The rearrangement of staff into integrated teams adds some new dimensions to the human resources management equation.

30. Any innovation in this area that attempts to respond to the distinctive circumstances of UNOPS must be placed in a larger context. UNOPS, as part of the United Nations family of organizations, must ensure that its human resources approaches remain consistent with those of the United Nations system and with the International Civil Service Commission (ICSC). Furthermore, a sizeable number of UNOPS staff members hold UNDP contracts: UNOPS and UNDP human resource management practices must therefore be synchronized in such a way that neither undue advantage nor disadvantage to UNDP contract-holders results from their assignment to UNOPS.

31. Nonetheless, while acknowledging the parameters within which new approaches must be conceived, UNOPS is working to develop human resource management tools that foster teamwork, initiative, a client-oriented attitude, and concern for quality. Specific issues currently being addressed include how to:

(a) Design jobs and write job descriptions that reflect the functional interdependence of staff working within integrated teams;

(b) Identify, inventory, and deploy available or needed staff skills in an appropriate manner;

(c) Design training programmes that ensure that an adequate pool of necessary skills is maintained;

(d) Establish incentives and rewards system as well as performance assessment mechanisms that recognize both individual and team accomplishments; and

(e) Identify which contractual mechanisms are best suited for the service-driven and variable project portfolio of UNOPS.

32. These issues are being considered by the Working Group on Staff and Staff Development issues, by a human resources specialist currently on assignment with UNOPS, and by the staff of the UNOPS Personnel Unit, which will be strengthened as part of the reorganization effort. Findings and recommendations will be submitted to the MCC, as they become available, through normal reporting procedures.

33. One specific example of a UNOPS response to the types of issue cited above is the UNOPS Contracts Training Programme. This programme, developed and conducted in 1995, provided a comprehensive and practical skills development experience not only for the 100 UNOPS staff who participated in it, but also for numerous participants from the United Nations Secretariat, various specialized agencies, and UNDP. While the UNOPS objective in commissioning this major training programme was to build experience and improve professionalism in this all-important dimension of UNOPS services, essential for the formation of integrated teams, the programme also contributed to the building of further skills in contracting among other organizations of the United Nations system.

IX. NEXT STEPS

34. One of the most important aspects of the UNOPS effort to make itself more innovative and cost-effective is that of resources - human and financial. It will be noted that the UNOPS reorganization effort is relying primarily on the contributions of its own staff - above and beyond normal duties. From the financial point of view, this approach is responsible and beneficial because it has helped contain cash outlays related to the reorganization, which so far have been less than $15,000. More importantly, UNOPS has demonstrated that it has the in-house skills and expertise to plan and implement these changes - with the added advantage that this way of working will help to build a stronger sense of ownership and commitment than if the process were driven by outside experts.

35. A direct implication of the decision to contain costs and to rely largely on existing staff capacity for the change process is that the transition must keep pace with staff ability to maintain the level and quality of existing services and at the same time transfer - or assume - functions, responsibilities, and tasks. Consequently, UNOPS has chosen to introduce the changes in a gradual manner. The key milestones for this process are:

2 October 1995	-	Form new operations units
1 March 1996	-	Establish Office of Director of Operations, Policy and Legal Division, and Planning and Information Division
1 April 1996	-	Finalize integration of operational purchasing staff into operations teams
1 July 1996	-	Establish Finance, Control and Administration Division
1 September 1996	-	Finalize integration of operational Project Personnel and Payments staff into operations teams

36. While the transition process is being monitored on an ongoing basis, a full review of the changes and a preliminary assessment of their impact will be performed by the end of 1996.

37. A service organization such as UNOPS is subject to the permanent test of the marketplace; to remain competitive in such an environment, it must demonstrate an ability to adapt continuously and effectively to changing circumstances. The reorganization achievements of UNOPS in 1995 go a long way towards responding to the requirements of its new status and lay a strong foundation from which to continue improving. This has been accomplished without increasing costs and without interrupting current service delivery. Ensuing annual reports of the Executive Director will assess the quantitative impact on responsiveness, quality, and value that these initiatives are yielding.

X. DRAFT DECISION

38. The Executive Board may wish to:

(a) Take note of the present report;

(b) Encourage the Executive Director to continue his efforts to make the United Nations Office for Project Services more innovative and cost-effective, as recommended by the Management Coordination Committee;

(c) Request that the Executive Director keep the Executive Board apprised of the operational results and financial implications of the reorganization of the United Nations Office for Project Services within the framework of future annual reports, submitted through the Management Coordination Committee.